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# All for one and one for all saves money

By [Ann Bednarz](#)

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Getting rid of a \$4.5 million ERP system gone awry was supposed to be the first problem Robert Moon solved when he joined display products manufacturer ViewSonic as vice president of information service. But instead of replacing the company's troubled ERP system, Moon revived it.

Moon arrived at ViewSonic in early 2001 to find an array of heavily customized Oracle applications. The Walnut, Calif., company was running separate "instances," or versions, of Oracle's financial software in each of its three regional offices: one on Version 10.7 and two on Version 11.0.3.

Each office also had distinct procedures for managing accounts. Different offices had different methods of budgeting, recording and reporting financial transactions.

Reconciling these systems to produce quarterly and annual corporate reports was a manual chore that often took weeks to accomplish. It was enough of a nightmare to prompt ViewSonic executives to consider scrapping the company's Oracle investment altogether. Until Moon came along.

"I pointed out it was not the software, it was the implementation that had been done incorrectly," Moon says. So the company spent \$750,000 to migrate its ERP systems to a single, customization-free instance of Oracle 11i - a move that now is saving ViewSonic millions of dollars per year in personnel and systems costs.

ERP instance-consolidation projects such as the one ViewSonic tackled are getting attention as companies try to squeeze inefficiencies out of their existing ERP systems, says Bill Swanton, vice president at AMR Research.

Over the years companies have deployed multiple versions of their ERP software, in part because ERP in its early days was a site-specific effort and the software was difficult to scale to very large organizations, Swanton says. Products were limited in the number of different languages, character sets and country-specific regulations they could support on the same instance.

So companies deployed separate applications for different regional offices or business units, each of which made configuration decisions according to local practices - a division in Europe might compute the cost of goods

### ERP consolidation

Companies considering consolidating their ERP systems should first weigh the

sold differently from a division in Asia, for example. Heavy customization was common.

"Companies didn't want to go through the hassle of trying to get everyone to agree on how to do stuff, so each group grabbed their licenses and ran and did their own thing," Swanton says.

It's particularly common among Oracle users to have rolled out multiple ERP versions - but it's not limited to Oracle customers, Swanton says. Users of other ERP software face many of the same implementation complications.

## Cleanup time

"Your ERP system should be something you don't even think about," ViewSonic's Moon says. "Do you think about your refrigerator running? No. Are you worried your car is going to start in the morning? No. Your ERP system should be the same way. Companies that have to worry about their ERP systems are doing something wrong."

One advantage of migrating to a single, global ERP instance is greater visibility into a company's worldwide operations. A timely view of global inventory statistics, for example, could eliminate the common paradox wherein a company has one of its factories paying a supplier certain prices to get a part that's in oversupply in another factory, Swanton says.

Another draw for multinational companies is the ability to implement shared services organizations for financial functions, instead of supporting duplicate departments, such as accounts receivable and accounts payable, in dozens of countries. Consolidating financial functions could let companies reduce their financial staff by 40% to 60%, Swanton says. "Those are big, permanent savings," he says.

## Engineering change

CH2M Hill is in the early stages of its instance consolidation project. But it's been a long-time goal of the Englewood, Colo., firm, which provides services including planning, engineering design, construction and project development.

"We had a vision of someday going to a global instance," says Jim Butt, IT director for MIS at CH2M Hill. "And Oracle had a lot of ideas about where they wanted to take their applications that were consistent with our vision."

But first CH2M Hill had to wait for the technology to catch up to its vision.

CH2M Hill licensed Oracle's financials, projects and purchasing software in 1993. Today the firm runs four different instances of Oracle software, three in the U.S. and one in Canada. One of the U.S. instances is new - Version 11.5.7, running in CH2M Hill's Denver data center - and is set to become the

advantages of centralized vs. decentralized systems, according to Gartner.

### Why centralized ERP?

- It's more expensive to build, operate and maintain multiple production systems.
- Application functionality across multiple systems diverges over time, making it difficult to get consistent views of vital business data. This causes duplication of master data describing customers, materials and products, and it increases the number of reports and the need for reconciliation across systems.
- Globalization requires standardized business processes whenever possible. It's simpler to harmonize and standardize business processes on a smaller number of production systems.

### Why decentralized ERP?

- Various business units already have a number of separate ERP systems and are happy with those solutions.
- Corporations prefer a highly autonomous approach to running its various business units, which would make it difficult to recentralize.
- Companies will achieve minimal business value from standardized ERP business processes — for example, if corporate reporting for separate divisions is not a priority.

company's global platform.

While Oracle for some time has offered strong multinational capabilities in its financial applications, CH2M Hill needed robust multiorganization capabilities built into Oracle's project costing and billing modules, Butt says. "The center of our universe is a project," he says. "We really needed that functionality down in the projects module."

Specifically, CH2M Hill wanted tools to simplify project accounting procedures required when the company's subsidiaries do work for one another - which happens a lot, Butt says.

About two years ago, Oracle delivered. Cross-charging capabilities built into Oracle's current applications will let any subsidiary make charges to a project owned by a different subsidiary, and all the accounting is done automatically, Butt says.

The firm's old way of accounting for intrasubsidiary services is more complex. Five years ago, CH2M Hill built a customized "affiliate billing" system that operates like an exchange mart through which any of CH2M Hill's entities can buy and sell from each other, Butt says. "It takes a lot of transactions and a lot of time," he says. "It has served us well, but now we can have the real thing."

Before attempting to consolidate its Oracle instances, CH2M Hill tackled a different migration. Last October the firm moved 40 subsidiaries that were using J.D. Edwards software to a single instance of Oracle 11.5.7. What's left to do is move the company's three remaining Oracle instances over to this new platform, which CH2M Hill hopes to accomplish by year-end.

"We're going to have one instance, globally, for human resources, payroll, projects, purchasing and financials," Butt says.

## **Prioritizing process**

Like CH2M Hill, ViewSonic made process makeovers the centerpiece of its instance consolidation efforts.

The first time it implemented Oracle's ERP software, ViewSonic automated existing processes, customizing the software to accommodate local practices, Moon says.

This time around, ViewSonic overhauled its processes before tackling technology. U.S. project team members held weekly conference calls with their counterparts in Europe and Asia to determine common accounting practices. "We spent about two months coming into agreement on these business processes and business structures before we even started any Oracle reimplementation," Moon says.

Process drivers are critical, experts say. Undertaking instance consolidation simply for the sake of technology isn't necessarily a worthwhile thing, Swanton says. "There's probably for most companies a 20% to 25% IT savings" to be gained by instance consolidation, Swanton says. "But that alone isn't going to justify spending the money, because, quite frankly, doing this is the equivalent of reimplementing your ERP system. It's a big project."

Users agree that limiting customization also is critical to a successful ERP reimplementation.

CH2M Hill put huge customizations in place during its



**something wrong.™**

**Robert Moon**  
Vice president of information  
services, ViewSonic

initial round of Oracle rollouts, Butt says. "We have close to 1,000 customizations in these four instances of the financials," he says. "Now we're paying the price for getting those all in the same place."

Similarly, ViewSonic in its original three Oracle implementations had more than 500 customizations. For its new rollout, ViewSonic adopted a "no customizations" stance, opting to alter its business processes rather than tinker with product code, Moon says.

In migrating to one instance of Oracle, ViewSonic decommissioned about \$1 million in hardware and slashed its IT staff. When Moon arrived there were 36 people in the IT organization responsible for maintaining Oracle systems. He cut it to 14 people before even starting the new implementation.

"People here were sort of shaking their heads," when he cut that many Oracle experts, Moon says. "They didn't know if I knew what I was doing or not, but they discovered I did."

CH2M Hill, too, has realized efficiencies - even though it's still early in its instance consolidation project. Migrating 40 business units from the J.D. Edwards software to one instance of Oracle has simplified the day-to-day work of IT and finance staff. "There's a lot of business process simplification that comes out of this," Butt says.

Down the line, getting to a single, global instance will free IT staff to do more in other areas, Butt says.

"That's really what the executive management of our company is striving for - they want us to do more with the same resources," he says. "As the company grows, they don't want the infrastructure to have to grow."

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